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CORRESPONDENCE UNIT

OFFICE OF THE ATTORNEY GENERAL
STATE OF ILLINOIS

Lisa Madigan
ATTORNEY GENERAL

January 26, 2011

The Honorable Timothy Geithner
Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

The Honorable Edward DeMarco
Director (Acting)
Federal Housing Finance Agency (FHFA) 1700
G Street, N.W., 4th Floor
Washington, DC 20552

The Honorable Sheila Bair
Chairman
Federal Deposit Insurance Corporation
550 17th Street N.W.
Washington, DC 20006

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue N.W.
Washington, DC 20551

The Honorable Mary L. Schapiro
Chairman
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

The Honorable John Walsh
Comptroller of the Currency (Acting)
Administrator of National Banks
250 E Street, S.W.
Washington, DC 20219

Re: Mortgage Servicing Standards

Dear Ladies and Gentlemen:

We the undersigned state Attorneys General are writing to urge that standards for servicing securitized mortgages be included as an essential component of the Qualified Residential Mortgage (QRM) exception to the risk retention requirements of the Dodd-Frank Act.

Recent events have brought to light significant and widespread problems in the servicing of securitized mortgages. These problems are especially pronounced in the servicing of delinquent loans, which demand a high level of care that the industry is either unable or unwilling to implement on its own.

Dodd-Frank's requirement that securitizers retain a five percent interest in the underlying security is key to curbing the excessive risk-taking that led to the current foreclosure crisis. Accordingly, in developing the QRM exception to this requirement, the agencies must take

pains to ensure that lenders seeking the benefits of the exception are held to rigorous standards for both underwriting and servicing loans.

The lending industry already recognizes the nexus between servicing and loan performance — a servicer's rating has long been taken into consideration in evaluating the risk of mortgage-backed securities. It is only logical to take servicing into consideration when establishing a gold standard for exempting qualifying loans from the risk retention rule.

Even as we call for the establishment of national servicing standards as part of the QRM exception to the risk retention rule, we recognize that such standards alone are inadequate to address all of the systemic problems in the mortgage servicing industry. National standards must operate hand-in-hand with state servicing laws and rules — many of which have been or are in the process of being strengthened — to effect fundamental change in the servicing industry, and to facilitate the recovery of our housing and financial markets.

Sincerely,



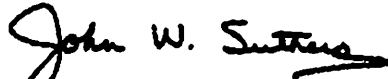
Lisa Madigan
Attorney General of Illinois



Tom Horne
Attorney General of Arizona



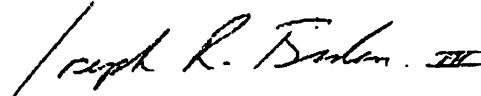
Kamala D. Harris
Attorney General of California



John W. Suthers
Attorney General of Colorado



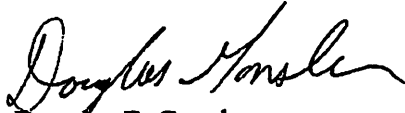
George Jepsen
Attorney General of Connecticut



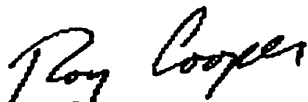
Joseph R. Biden, III
Attorney General of Delaware



Tom Miller
Attorney General of Iowa



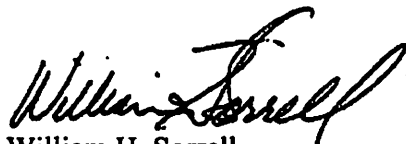
Douglas F. Gansler
Attorney General of Maryland

A handwritten signature in black ink, appearing to read "Roy Cooper".

Roy Cooper
Attorney General of North Carolina

A handwritten signature in black ink, appearing to read "RE Cooper, Jr.".

Robert E. Cooper, Jr.
Attorney General of Tennessee

A handwritten signature in black ink, appearing to read "William H. Sorrell".

William H. Sorrell
Attorney General of Vermont